

Annual Report

INDIANA TELEPHONE RELAY ACCESS CORPORATION FOR THE HEARING AND SPEECH IMPAIRED

For the fiscal year ended September 30, 2003

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INDIANA UTILITY REGULATORY COMMISSION
TELECOMMUNICATIONS DIVISION

InTRAC's 2003 Annual Report

The Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired ("InTRAC") continued to provide quality and efficient service in its eleventh year of telephone relay services (TRS) for hearing- and speech-impaired callers.

Description of Services. Beginning October 1, 1992, InTRAC began providing telecommunication relay services to Indiana citizens through Sprint, its relay provider. TRS enables an individual who has a hearing or speech impairment to communicate over the telephone with a hearing individual who uses a standard telephone. Sprint provides this service through the operation of a Network Call Distribution system with 11 TRS centers nationwide. Sprint currently provides services to 32 states, the Commonwealth of Puerto Rico and the Federal government. Individuals in Indiana with or without hearing or speech impairments can call these centers using a toll-free number (800-743-3333) or by dialing the three-digit number, 711. Persons with standard phones can also initiate calls to the center.

At the centers, specially trained individuals, known as communication assistants, receive the incoming calls and relay them to numbers specified by the caller. If a person with a hearing or speech impairment initiates a call, the process is reversed. The communications assistant reads aloud the text telephone message to the non-impaired caller and transmits the non-impaired persons' oral responses back to the original caller through the text telephone.

The communications assistants who staff the TRS centers are well trained. To be employed, each must pass an examination that covers spelling, typing, dictation, TRS procedures, certain aspects of American Sign Language, deaf culture, ethics and etiquette.

InTRAC's TRS centers process several types of calls, including: local calls, intrastate long distance calls, interstate long distance, and international calls that originate in Indiana. Users of the centers can choose the carrier they wish to carry their long distance calls to the same extent those not using the centers to place calls may choose their long distance carriers.

No special charge for TRS is imposed on those who use the TRS centers. Neither the party originating nor the party receiving a call processed by the centers pays a surcharge for calls originating and terminating within the same toll-free, local calling area -- even though the call must pass through the TRS centers located throughout the country. Similarly, those who use the centers to make long distance calls are charged rates no greater than the rates paid for functionally equivalent voice communication services.

Because InTRAC's relay services are processed through a Network Call Distribution system, and have the ability to automatically process calls through several TRS centers, makes it unlikely that service would ever be disrupted by a cable cut, adverse weather or other event. Each TRS center provides TRS to Indiana callers seven days a week, 52 weeks a year, and each is equipped with state-of-the-art telecommunications equipment and software. Each center can receive messages from text telephones that use Baudat and ASCII codes and can automatically identify the type of incoming signals.

Developments During the Year. During InTRAC's 2003 fiscal year, the following activities occurred.

FCC Recertification – Every five years, the Federal Communications Commission requires states to become recertified to provide telephone relay service. InTRAC filed its Application for Renewal of TRS State Certification which included such information as: Contract Status; Funding Method; Operational, Technical, and Functional Standards; and Complaint Procedures and Remedies. This application was approved May 1, 2003.

Video Relay Service (VRS) – This form of relay provides the deaf community an opportunity to use their primary form of communication – sign language. The users must have a computer, high speed internet connection ability, and an appropriate webcam. The users go on-line and click on www.invrs.com and see a live interpreter at the relay center on their screen. The relay users then sign their conversations to the interpreter who voices the call for them. This is real time and a much more natural form of conversation. VRS costs are not passed on to InTRAC. The funds to pay for this service currently come from the NECA TRS fund.

Sprint Relay OnLine (SRO) - This service allows TRS users to place relay calls over the Internet between locations in the United States, only. In the same way with a TTY, the user types the conversation which the relay operator voices to the standard phone user. Users go online and click on www.sprintrelayonline.com.

Service Volume. In the twelve months ending September 30, 2003, InTRAC received 1,014,377 calls to the relay center and placed 1,378,936 calls. The number of inbound calls to the Relay Center has decreased 1% from the previous year, and the number of outbound calls has decreased 2%. This decrease may be due to new technology, as users also communicate through the internet, e-mail, and pagers.

The Chart below shows the number of calls processed by InTRAC's TRS center and the average length of those calls in minutes during the fiscal year ending September 30, 2003.

Month of Operation	Outbound Calls	Inbound Calls	Average Call Length
October 2002	118,838	86,333	4.68
November 2002	111,188	82,015	4.53
December 2002	117,429	86,716	4.41
January 2003	120,548	88,217	4.51
February 2003	111,106	80,936	4.56
March 2003	112,219	82,727	4.46
April 2003	113,158	82,553	4.43
May 2003	116,217	86,078	4.38
June 2003	112,858	83,392	4.45
July 2003	117,212	86,846	4.29
August 2003	117,633	87,142	4.35
September 2003	110,530	81,422	4.47
TOTALS	1,378,936	1,014,377	

Complaint Filing. On July 1, 2003, InTRAC filed its Annual Report of Complaints with the FCC. Users of InTRAC's relay centers have been extremely pleased with the overall quality of the service. The 1,391,523 calls processed by the center during June 2002 – May 2003 resulted in 51 complaints – less than four thousandths of one percent (0.00366%).

Service Levels. The FCC has established quite stringent operational, technical and functional standards for telecommunications relay services. For example, 85% of the calls received in the relay center must be answered in ten seconds or less. During 2003, InTRAC's numbers exceeded the FCC performance standard, with 95% of the calls answered in ten seconds or less. The average answer time for all calls was 1.91 seconds. A second important FCC requirement for relay service providers is that the grade of service must be a minimum of PO1. This means that if one hundred people simultaneously call the relay center during the busiest period of the day, only one call would be blocked due to the lack of available telephone equipment. InTRAC's results have continuously exceeded this requirement.

Equipment Loaner Program. InTRAC initiated an equipment loaner program on March 6, 1997 for hearing- and speech-impaired persons unable to afford a TTY. Through the end of this fiscal year, September 30, 2003, we have loaned a total of 2200 units. While we have saturated the pent-up demand, we still receive about six to twelve applications each week. InTRAC repairs and replaces these units as necessary. As technology improves, InTRAC is committed to providing the most updated equipment to individuals who have a financial need in order that they too are able to utilize the relay service.

Promotional Activities. An important part of InTRAC's mission is to ensure that Indiana citizens are aware of the relay services that InTRAC provides. Toward that end, InTRAC has engaged in a number of promotional activities including:

- **Radio Advertisements.** InTRAC has started advertisements on WIBC and Network Indiana. These advertisements are directed toward businesses within Indiana and encourage them to “not hang up” on relay calls. Relay customers found that many businesses misunderstood the calls and would hang up. Businesses can sign up on-line as a company willing to accept relay calls. Relay users utilize this categorized business list (currently found on WIBC's website), when wanting to place a call for a particular business.
- **Television Advertisements.** InTRAC began advertising on PAX-TV, SkyTrak13 Weather Channel, and with Grow Indiana in 2003. Each Sunday evening during *Sue Thomas FBEye*, a weekly series based on a true story of a deaf FBI agent, a 30 second commercial in American Sign Language helped sponsor the program. This ad has captioning for the *hearing*. This commercial encouraged viewers to “not hang up” on relay calls. In addition, this commercial also ran daily on SkyTrak13 Weather Channel as well as a continual scrolling banner that informed viewers to learn more about the telephone relay service on InTRAC's website. Each Sunday morning on WTHR-Channel 13 with Gerry Dick of Inside Indiana Business, this same commercial helped sponsor the program. Grow Indiana's website and daily email of *Inside Indiana Business* provided a web-link explaining how to sign up as a business interested and willing to receive relay calls.
- **Town Hall Meetings.** At these meetings, InTRAC's relay services are explained to the hearing- and speech-impaired persons, employees of service agencies and businesses that may need to communicate with those who are hearing- or speech-impaired. During the past fiscal year, InTRAC held town hall meetings in the following Indiana communities: Anderson, Bloomington, Beech Grove, Evansville, Ft. Wayne, Indianapolis, Jasper, Merrillville, Muncie, South Bend, and Warsaw .

- **Other Informational Meetings.** In addition to town hall meetings, InTRAC has also held a number of meetings at educational institutions, service agencies, and businesses in Indiana. For example, during the last fiscal year, informational meetings were held at Ball State University, Community Agencies for the Deaf, SHHH Chapters, Easter Seals, Goodwill, Eli Lilly and Company, United Way, and Vincennes University.
- **Conferences and Trade Shows.** To make others aware of InTRAC's relay services, InTRAC also participated in a number of conferences and trade shows held throughout Indiana. Over 3075 persons received Relay Indiana information at various conferences and trade shows during the last fiscal year at the PTCO Day Festival, Deaf Heritage Week, National ASCTA Convention, and Interpreters Convention.
- **Consumer Advisory Committee.** The wide scope of interests representative of the deaf and hard of hearing communities makes this committee an ideal means of communicating developments in the relay service to various constituencies in Indiana, as well as feedback to the InTRAC Board of Directors.

Annual Meeting. On December 11, 2003, InTRAC held its annual meeting for the fiscal year ended September 30, 2003. To maintain continuity in its membership, InTRAC's directors are elected to staggered three-year terms. Consequently, only two of the seven director's seats are up for election at each annual meeting. Re-elected to a three-year term were Duane Hazelbaker, SBC, and Mitchell Proctor, TDS Telecom.

Board of Directors Meeting. At the organizational meeting held on March 5, 2004, Mitchell Proctor, TDS Telecom, was elected as President; Cindy Taylor, New Paris Telephone, was re-elected as Secretary, and Neil Krevda, Verizon, was re-elected as Treasurer. The remaining directors of InTRAC are: Charles F. Coon, Washington County RTC; Charles R. Mercer, Sprint Telephone; Duane Hazelbaker, SBC; and Jim Van Manen, Deputy Director, Deaf and Hard of Hearing Services, State of Indiana.

Audit of Surcharge Collected and Remitted by Members. InTRAC's independent accounting firm, Kehlenbrink, Lawrence & Pauckner, has been engaged to perform audits and tests of the books and records of the local exchange carriers that are members of InTRAC to determine whether the members are collecting and remitting properly the surcharge that funds InTRAC's operations. Since the surcharge was enacted, audits and tests have been performed of the books and records of each local exchange carrier. Additional audits and tests were conducted during the last fiscal year. These reviews have revealed that the members are collecting and remitting the surcharge correctly.

Audit of Sprint Billings. Telecommunication relay services are provided in Indiana on behalf of InTRAC under a contract with Sprint Services. InTRAC pays Sprint based upon the number of minutes of relay service that Sprint provides. Under the contract with Sprint, InTRAC has the right to audit and test Sprint's books and records to ensure that InTRAC is billed properly for the services that Sprint provides. As a result, InTRAC employed the independent accounting firm of Kehlenbrink, Lawrence & Pauckner to perform various tests of Sprint's billing system. These tests revealed no failures in the systems for generating the billing to InTRAC.

Financial Statements. Financial statements prepared by the independent accounting firm of Kehlenbrink, Lawrence & Pauckner meeting the requirements of Ind. Code § 8-1-2.8-21(6)(D) are attached hereto and incorporated herein.

InTRAC
Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired

AUDITED FINANCIAL STATEMENTS

September 30, 2003 and 2002

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired
Indianapolis, Indiana

We have audited the accompanying statement of financial position of **Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC)**, a nonprofit organization, as of September 30, 2003, and the related statements of activities and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of InTRAC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired as of September 30, 2002, were audited by other auditors whose report dated October 30, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired as of September 30, 2003, and the changes in its unrestricted net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

November 21, 2003

Dunbar, Cook & Shepard, P.C.

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INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF FINANCIAL POSITION
September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,545	\$ 37,412
Investments - money funds	2,828,159	3,817,200
Estimated accounts receivable	491,395	450,236
Interest receivable	62,818	38,443
Other current assets	<u>4,008</u>	<u>3,221</u>
TOTAL CURRENT ASSETS	3,425,925	4,346,512
PROPERTY AND EQUIPMENT		
Furniture and equipment	44,460	42,331
Less accumulated depreciation	<u>(40,131)</u>	<u>(38,917)</u>
TOTAL PROPERTY AND EQUIPMENT	4,329	3,414
OTHER ASSETS		
Deposits	1,000	1,000
Investments - other	<u>4,476,830</u>	<u>3,599,482</u>
TOTAL OTHER ASSETS	4,477,830	3,600,482
TOTAL ASSETS	<u>\$7,908,084</u>	<u>\$7,950,408</u>
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 920,987	\$ 943,756
Accrued taxes	<u>1,034</u>	<u>1,047</u>
TOTAL CURRENT LIABILITIES	922,021	944,803
UNRESTRICTED NET ASSETS	<u>6,986,063</u>	<u>7,005,605</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$7,908,084</u>	<u>\$7,950,408</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)**

**STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
For the Years Ended September 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
REVENUES		
Surcharge collections	\$2,413,015	\$2,770,684
Wireless carriers	<u>1,292,992</u>	<u>1,208,868</u>
TOTAL REVENUES	3,706,007	3,979,552
DIRECT EXPENSES		
Contract relay service	<u>3,417,452</u>	<u>3,560,879</u>
GROSS MARGIN	288,555	418,673
PROGRAM EXPENSES		
TTY equipment	153,940	240,573
TTY promotion	<u>1,333</u>	<u>1,715</u>
TOTAL PROGRAM EXPENSES	155,273	242,288
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting	19,326	21,487
Advertising	105,170	-
Depreciation	1,213	1,823
Dues and subscriptions	695	760
Fringe benefits and other related employee expenses	21,409	16,546
Insurance expense	11,846	8,180
Interpreter fees	658	2,460
Investment advisory fees	37,772	26,841
Legal	11,233	22,547
Meals	835	434
Meeting expense	-	618
Miscellaneous	2,793	1,323
Office rent	30,648	24,499
Office supplies	7,634	7,213
Public relations	7,285	5,297
Salaries	51,961	47,616
Telephone	7,136	3,318
Travel and entertainment	<u>3,188</u>	<u>2,753</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>320,802</u>	<u>193,715</u>
LOSS FROM OPERATIONS	(187,520)	(17,330)
OTHER INCOME		
Investment income	157,627	232,680
Rental income	<u>10,351</u>	<u>9,000</u>
TOTAL OTHER INCOME	<u>167,978</u>	<u>241,680</u>
CHANGES IN UNRESTRICTED NET ASSETS	(19,542)	224,350
UNRESTRICTED NET ASSETS - BEGINNING	<u>7,005,605</u>	<u>6,781,255</u>
UNRESTRICTED NET ASSETS - ENDING	<u>\$6,986,063</u>	<u>\$7,005,605</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)**

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ (19,542)	\$ 224,350
Adjustments to reconcile changes in unrestricted net assets to net cash from operating activities:		
Depreciation	1,213	1,823
Gain/loss on investments	(15,642)	(73,104)
Amortization of bond premiums	80,135	33,286
Increase (decrease) in:		
Estimated accounts receivable	(41,159)	27,959
Accounts payable	(22,769)	288,906
Other	<u>(25,175)</u>	<u>(31,331)</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(42,939)	471,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in money market funds	989,040	3,102,720
Purchase of property and equipment	(2,129)	(2,460)
Purchase of investments	(2,248,278)	(4,125,664)
Proceeds on sale of investments	<u>1,306,439</u>	<u>566,000</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>45,072</u>	<u>(459,404)</u>
NET INCREASE IN CASH	2,133	12,485
CASH AND CASH EQUIVALENTS - BEGINNING	<u>37,412</u>	<u>24,927</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 39,545</u>	<u>\$ 37,412</u>

See accompanying notes and auditors' report.

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**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS
September 30, 2003 and 2002**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE - Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) is an Indiana non-profit corporation established by state statute on February 25, 1991. Its purpose is to provide telephone relay service to hearing and speech-impaired persons throughout the state of Indiana. InTRAC's responsibility is to coordinate the efforts of the 42 Indiana telephone company members to comply with the laws of the Federal Communication Commission (FCC) concerning telephone relay service. In 1997, InTRAC initiated a program that provides text telephone (TTY) devices to persons with financial needs.

METHOD OF ACCOUNTING - InTRAC records revenue and expense using the accrual method of accounting.

CASH AND CASH EQUIVALENTS - For the purposes of the statements of cash flows, InTRAC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. During the year, InTRAC held balances in excess of \$100,000 in a financial institution, which were not insured by the FDIC.

INVESTMENTS - Investments are composed of money market funds, mutual funds investing in debt and fixed income securities, and individual debt securities. These investments are carried at market value. The investments are not federally insured or guaranteed. Bond premiums are being amortized over the life of the bond and charged against interest income.

ESTIMATED ACCOUNTS RECEIVABLE - All accounts receivable are from Local Exchange Carriers (LEC's) or wireless companies and are comprised of charges that are expected to have been collected but not remitted to InTRAC. These receivables are unsecured and totaled \$491,395 and \$450,236 at September 30, 2003 and 2002, respectively. Because these receivables are estimated, it is possible, though not expected, that the estimated amount could change in the near term. Since the surcharge revenues are mandated by the Indiana Utility Regulatory Commission, no allowance for doubtful accounts has been established.

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. It is the policy of InTRAC to capitalize cost of equipment which exceeds \$500. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. Depreciation expense for the years ended September 30, 2003 and 2002 was \$1,213 and \$1,823, respectively.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2003 and 2002**

NOTE A - CONTINUED

BASIS OF PRESENTATION - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, InTRAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets of InTRAC are unrestricted.

ADVERTISING - InTRAC has a policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended September 30, 2003 and 2002 was \$105,170 and \$-0-, respectively.

REVENUE - InTRAC's main source of funding is a surcharge levied monthly by LEC's on all business and residential telephone access lines. The surcharge was \$0.07 per access line. On October 1, 2002, the surcharge was decreased to \$0.06 per access line.

In addition, InTRAC has contracted with most of the wireless telephone companies to provide relay service. These contracts call for wireless customers to be assessed a surcharge equal to the surcharge assessed to LEC customers.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAXES - InTRAC is exempt from taxation under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision is made for federal income taxes on the Organization's exempt activities.

NOTE B - CONTRACTS AND COMMITMENTS

InTRAC contracts with an independent contractor (Sprint) to provide all of the relay service, based on a per-minute charge. A contract was signed in October 2002, which will provide relay services through October 31, 2005.

InTRAC has committed to purchasing advertising from various media companies through September 2004 in the amount of \$58,800.

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2003 and 2002

NOTE C - INVESTMENTS

InTRAC's investments were comprised of the following at September 30, 2003:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 782,159	\$ 782,159	\$ 782,159
Schwab Value Advantage	2,046,000	2,046,000	2,046,000
U.S. Government obligations	1,905,466	1,942,482	1,942,482
Corporate obligations	2,093,191	2,146,562	2,146,562
CMOs and Asset-Backed Securities	<u>381,685</u>	<u>387,786</u>	<u>387,786</u>
	<u>\$7,305,843</u>	<u>\$7,304,989</u>	<u>\$7,304,989</u>

InTRAC's investments were comprised of the following at September 30, 2002:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$1,771,200	\$1,771,200	\$1,771,200
Schwab Value Advantage	2,046,000	2,046,000	2,046,000
U.S. Government Obligations	1,585,501	1,621,080	1,621,080
Bond Mutual Fund	500,000	497,994	497,994
Corporate obligations	1,195,158	1,233,103	1,233,103
CMOs and Asset-Backed Securities	<u>238,879</u>	<u>247,305</u>	<u>247,305</u>
	<u>\$7,336,738</u>	<u>\$7,416,682</u>	<u>\$7,416,682</u>

Investment (loss) income consisted of the following at September 30:

	<u>2003</u>	<u>2002</u>
Realized loss on investments	\$ (5,431)	\$ (9,000)
Dividend and interest income	141,985	159,576
Unrealized gain on investments	<u>21,073</u>	<u>82,104</u>
	<u>\$ 157,627</u>	<u>\$ 232,680</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2003 and 2002**

NOTE D - LEASES

InTRAC entered into a lease agreement on November 1, 2002 for administrative office space, expiring on October 31, 2007. Total office rent expense for the years ended September 30, 2003 and 2002 was \$30,648 and \$24,499, respectively. Future minimum lease rentals for years ending September 30 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2004	\$ 29,428
2005	30,215
2006	31,001
2007	31,788
2008	<u>2,654</u>
	<u>\$ 125,086</u>

InTRAC sublets a portion of its leased facility to Sprint Communications Company, L.P. on a month-to-month basis.

NOTE E - PENSION PLAN

InTRAC adopted a 403(b) retirement plan covering all eligible employees. The contribution made by InTRAC is in the amount of 10 percent of the employee's salary. Retirement plan expense was \$7,048 and \$3,159 for the years ended September 30, 2003 and 2002, respectively.

**Indiana Telephone Relay Access Corporation
For the Hearing and Speech Impaired**

(InTRAC)

Projected Statements of Cash Flows

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MAY 03 2004

**INDIANA UTILITY REGULATORY COMMISSION
TELECOMMUNICATIONS DIVISION**

**Indiana Telephone Relay Access Corporation
For the Hearing and Speech Impaired**

(InTRAC)

Indianapolis, Indiana

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To the Board of Directors
Indiana Telephone Relay Access Corporation for
the Hearing and Speech Impaired (InTRAC)

We have compiled the accompanying projected statements of cash flows for the years ending September 30, 2004, 2005 and 2006, in accordance with the guidelines established by the American Institute of Certified Public Accountants.

The accompanying projected cash flows statements presents, to the best of management's knowledge and belief, InTRAC's projected cash flows for the projection periods that would result if relay costs and surcharge revenues are as described in the list of assumptions. Financial position and results of operations are not intended to be projected. These projected cash flows statements were prepared for the InTRAC Board of Directors and are intended to be used by InTRAC to satisfy its obligation under Section 8-1-2.8-21(3) of the Indiana Code to file reasonable projections of anticipated funding requirements with the Indiana Utility Regulatory Commission and should not be used for any other purpose.

A compilation is limited to presenting projected information that is the representation of management and does not include evaluation of the support for the assumptions underlying such information. We have not examined the projected statements of cash flows and accordingly, do not express an opinion or any other form of assurance on the accompanying statements. Furthermore, there will usually be differences between projections and the actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

We are not independent with respect to Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired.

Kehlenbrink, Lawrence + Pauckner

April 28, 2004

InTRAC

Projected Statements of Cash Flows

	For the Years Ending September 30,		
	2004	2005	2006
Cash Provided by			
Local exchange carriers	\$ 2,376,000	\$ 1,560,000	\$ 1,536,000
Wireless service providers	1,555,200	1,243,200	1,492,800
Investment income	160,274	146,781	140,452
Rental income	10,620	10,620	10,620
Total	<u>\$ 4,102,094</u>	<u>\$ 2,960,601</u>	<u>\$ 3,179,872</u>
Cash Used by			
Relay service expense	\$ 3,202,080	\$ 3,064,480	\$ 2,935,480
Other operating expenses	215,000	215,000	215,000
Advertising	100,000	100,000	100,000
TTY program costs	237,100	237,100	237,100
Total	<u>\$ 3,754,180</u>	<u>\$ 3,616,580</u>	<u>\$ 3,487,580</u>
Net Change in Cash and Cash Equivalents	\$ 347,914	\$ (655,979)	\$ (307,708)
Beginning Cash and Cash Equivalents	<u>7,344,434</u>	<u>7,692,348</u>	<u>7,036,369</u>
Ending Cash and Cash Equivalents	<u><u>\$ 7,692,348</u></u>	<u><u>\$ 7,036,369</u></u>	<u><u>\$ 6,728,661</u></u>

See accompanying summary of significant assumptions, accounting policies and accountants report

InTRAC

Summary of Significant Projection Assumptions and Accounting Policies

This financial projection of cash flow presents, to the best of management's knowledge and belief, the expected results of cash flow for the projection period. Accordingly, the projection reflects management's judgement as of April 28, 2004, the date of this projection, of the expected conditions and its expected course of action. The presentation is designed to provide information for the InTRAC Board of Directors and the Indiana Utility Regulatory Commission and cannot be considered to be a presentation of expected future results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Significant Accounting Policies

The summary of significant accounting policies are as stated on pages 5 and 6 in the historical audited financial statement for the year ended September 30, 2003 set forth in this document.

Revenue

The monthly surcharge that funds InTRAC's operations is \$.06 but is reduced on October 1, 2004 to \$.04.

The surcharge will be assessed on an average of 3,300,000 wire lines in the projection year ended September 30, 2004. Based on the change in access lines between the period of January 2003 and January 2004, it is assumed that these lines will decrease at an annual rate of 1.5% from September 30, 2003 forward.

The surcharge will be assessed on an average of 2,160,000 wireless customers in the projection year ended September 30, 2004. A comparison of wireless customers at January 2002, January 2003 and January 2004 indicates annual growth rates of over 20%. Accordingly, we have assumed that wireless customers will grow at a rate of 20% over the projection period.

Revenue calculations for the projection year ended September 30, 2004 are as follows:

LEC Customers

Monthly	3,300,000 X \$.06 = \$	198,000
Annual	\$ 198,000 X 12 = \$	2,376,000

InTRAC

Summary of Significant Projection Assumptions and Accounting Policies

Revenue (Continued)

Wireless Customers

Monthly	2,160,000 X \$.06 = \$	129,600
Annual	\$ 129,600 X 12 = \$	1,555,200

Monthly rental income of \$885 for office space occupied by a Sprint employee will continue through the projection period.

Based on the average interest rate for invested funds during the most recent fiscal year it is assumed that invested cash reserves will provide a 2.10% annual rate of return. Excess cash reserves will be invested in mutual funds investing in debt, equity and fixed income securities and also will be invested in corporate and government bonds.

Relay Service Expense

The cost of relay service will be based on minutes of use at a cost per minute of \$.86. Based on the yearly change in billable minutes through February of 2004, it is estimated that billable minutes will decrease annually at a rate of 4.35% throughout the projection period. Estimated billable minutes for the projection year ended September 30, 2004 will be 3,720,000.

Administrative Expenses

The annual cost of the administration of InTRAC is estimated to be \$315,000 throughout the projection period. This includes \$100,000 that has been budgeted each year for advertising.

Equipment Program Costs

InTRAC purchases equipment for those hearing and speech impaired individuals who are financially unable to purchase the equipment themselves. Several choices are now available that allow for different technological applications. Individual unit costs range from \$220 to \$ 519. In addition one of the programs involves an annual service cost of \$71,000. Cost estimates are based on management's estimate of market demand for this equipment.

Other Considerations

Cash and cash equivalents are defined as deposits maintained in various bank accounts or any other temporary investment made with excess cash.

The assumptions disclosed are not necessarily all-inclusive.